

UTILITY ADVISORY BOARD

**Thursday, November 15, 2012
8:00 a.m.**

**City of Grand Rapids - Water Administration Office
1900 Oak Industrial Drive NE**

AGENDA

1. Approval of Minutes – October 18, 2012 (attached)
2. Public Comment on Agenda Items
3. 2012 Rate Study Review (attached)
4. Procedure for Processing Delinquent Accounts
5. Contract Awards, October 2012 (attached)
6. Update on Customer Information System
7. Items from Members
8. Next Meeting – Thursday, December 20 - Where?
9. Adjournment

UTILITY ADVISORY BOARD

October 18, 2012

1. **Call to Order:**

Chair Eric DeLong called the meeting to order at 8:00 a.m. at the Cascade Township Wisner Center, 2870 Jack Smith.

2. **Attendance:**

Members Attending:

Bill Cousins
Eric DeLong
Mike Devries
Brian Donovan
George Haga
Wayne Jernberg
Mike Lunn
Pam Ritsema
Scott Saindon
Chuck Schroder
Breese Stam
Joellen Thompson
Cathy Vander Meulen
Linda Wagenmaker
Josh Westgate
Ron Woods

Others Attending:

Haris Alibasic
John Allen
Doug Gillean
Steve Kepley
Kathie Kuzawa
Sandy Otey
Eileen Pierce

Members Absent:

Scott Buhrer
Mark De Clercq
Ed Robinette
Toby Vaness

3. **Approval of Minutes:**

Motion 12-12: Brian Donovan, supported by Bill Cousins, moved to approve the minutes of the September 20, 2012, meeting of the Utility Advisory Board as presented. Motion carried.

4. **Public Comment:**

There was no public comment.

5. **Transformation Update:**

MMRMA Risk Avoidance Program Grant - Kathie Kuzawa distributed information on the Haloptic Camera System. She noted that staff are always coming up with new techniques and equipment, and they came up with the idea of applying for this grant. We will receive 50% of the cost for two cameras, or just under \$18,000. She referred members to the pictures provided in the materials and explained how the cameras will be used.

Eric DeLong asked how long we've had the equipment and how often we use it. Ms. Kuzawa indicated that one camera is used in conjunction with one of our vectors and the other is used for scheduled inspections. The camera "stick" can extend 25 – 26 feet. Mike Lunn noted that this project started about 4 years ago when we put together an assessment crew, and it has been a highly successful program.

Competitive Grant Assistance Program (CGAP) Application - Mike Lunn distributed information on the Industrial Pretreatment Program (IPP) and Cross Media Electronic Reporting Rules (CROMERR) talking points. He reported that staff started creating this application for the CROMERR process about nine months ago. The application was sent in earlier this week. The application calls for us to partner with seven other communities that use this software. Total cost to the users is about \$275,000 each to cover the cost of the development of the software. He will be requesting a letter of support for this grant from partner communities.

Eric DeLong asked if regulated industries could file their information electronically rather than paper copies. Mr. Lunn explained how the system will work and noted that there will be a lot less chance for error and data manipulation. Ongoing costs for the software licensing will be about \$12,000 per community annually.

A draft letter of support will be sent out to partner communities for their consideration.

6. Guidance on Consumer's Energy Rate Case U-170875:

Eric DeLong reported that utilities can file rate cases every six months. They can then self-implement rate increases only to be adjusted later. We have been engaged in several rate cases in the past and have had good success.

Haris Alibasic reported that Consumers Energy filed for rate case increases recently. Overall, the increase we would see is about 2.8%. This increase is really for both 2013 and 2014. Clark Hill is the attorney firm representing the Michigan Municipal League (MML). They have agreed to take a lower rate of \$20,000 for this case and have already filed on behalf of the MML. The City of Wyoming has indicated that they will not participate in this rate case. They want to take a different route and challenge the choice program. Mr. Alibasic indicated that he is recommending that the UAB participate in this rate case for several reasons. We were successful in keeping the rates lower in the last four rate cases. We do budget for these rate case participations because it is important work. He also plans to contact other municipalities to see if others won't participate with us.

Eric DeLong indicated that our past participation was at \$25,000. Mr. Alibasic indicated that it started at \$35,000 and then the last two we were able to negotiate down to \$25,000. Mr. DeLong asked if the Michigan Township Association plans to participate, and Mr. Alibasic reported that they have indicated that they probably will participate.

Haris Alibasic noted that we have also been successful at creating a municipal rate, and we want to send the message that we are interested in these rates.

A member asked how much we have in the budget for this activity. Mr. Alibasic indicated that we currently have budgeted up to \$50,000. Cathy VanderMeulen noted that she feels this is a good activity, and we have had good success in the past. Brian Donovan agreed and noted that we need to keep pushing back. Cathy VanderMeulen asked if Proposal 3 would have an impact on rates. Mr. Alibasic indicated that, yes, it would because of the cost of renewable energy.

Motion 12-13: Brian Donovan, supported by Cathy VanderMeulen, moved to authorize up to \$15,000 for participation in Rate Case U-170875. Motion carried.

7. Process Review:

Water Shut-off - JoellenThompson reviewed the process for shut off of an account. Bills are due 21 days after they are generated. If payment is not received, late fees are assessed. After 27 days, it goes into shut-off mode and a \$55 fee is assessed. Staff go into the system and generate a list of accounts to be cut off every day. For commercial and multi-unit residential buildings a printed notice is placed first and then the shut off is scheduled for ten days later. There are 30 or 40 shut offs done daily. With the new system, we can now shut off accounts that owe the most to us first. We prioritize in this way because we don't have enough staff to shut off everyone that should be shut off. There is a door hanger informational piece left on the building when the shut off occurs. Field staff cannot take payments or discuss accounts while they are in the field. Payments can be made by coming to the office or online. Currently we turn service back on within 24 hours once payment is made and confirmed. A change that will be coming soon with Cayenta is that a shut-off notice will go out to customers on pink paper.

Cathy VanderMeulen asked about the time period before a residential service is shut off. Ms. Thompson indicated that it could be eligible in 27 days and then it depends on priority and location when we will get to them.

Eric DeLong asked if once a district is cleaned up, we will go below the \$300 limit and start shutting off. Ms. Thompson indicated that we could, yes.

Mr. DeLong noted that no one should be surprised that they owe money and need to pay. They have had several touches before services are shut off. Joellen Thompson added that it used to be up to three quarters of a year before we would get some people shut off, and the new system has allowed us to lower this.

Doug Gillean indicated that they do between 30-40 shut offs a day now, and depending on the weather, in the winter he estimates it's about 20 a day.

Ron Woods asked if it's policy that residents don't get shut off before they get to \$300 limit. Joellen Thompson indicated that this is a factor of us not being able to shut everyone off that should be. Mr. Woods then asked what the ordinance actually says about when they should be shut off. Eileen Pierce indicated that the ordinance says residents may be shut off if they haven't paid after the due date. Mr. Woods asked if they can make payment arrangements to get the water turned back on. Ms. Pierce indicated that this is no longer done because we found that arrangements were made, but they didn't continue making the payments. Mr. Woods asked if the \$55 fee is automatically added after 27 days. Ms. Thompson indicated that it is. This is really an administrative fee.

Steve Kepley asked if the building department is notified when we shut water off to a residence or building. Joellen Thompson indicated that we don't because quite often the account is paid up quickly and we can turn the water back on. Ron Woods noted that they do notify the building department in Kentwood.

Eric DeLong asked how many staff are devoted to this work. Eileen Pierce indicated that this process makes up about half of all of our staff time. There are two service workers in the field, plus all the office work and calls to customer service. Other staff that are changing meters in that area may be called to assist with cut-ons in order to get the water back on within 24 hours. Eric DeLong asked for a process diagram or step sheet for everyone to have.

Bill Cousins asked what the relationship is between this and the Lien process. It was noted that there is no direct connection except we are trying to get payments in so we don't have to lien their account. It must be delinquent 203 days before it goes to lien.

Eric DeLong asked if Linda Wagenmaker tracks our receivables. Ms. Wagenmaker replied that the Accounts Receivable office in the Comptroller's office does this. Mr. DeLong asked if our receivables are stable or going up. Ms. Wagenmaker indicated that she does not have this information at this time. Mr. DeLong indicated that this would be good to know, and it would also be good to benchmark ourselves against other utilities.

Lien Process - Joellen Thompson indicated that lien letters will continue to go out until November 1. Customer communities will get their lists within the next week.

There was no more feedback from partners regarding the letter.

Bill Cousins asked if, once the lien letter goes out, the City stops trying to collect it. Joellen Thompson indicated that, yes, we do. Mr. Cousins asked if the City verifies if the customer has paid the entire amount before they are turned back on if they have been shut off. People that owe a large amount go to lien and then their next bill just shows with the

monthly amount owed; the past due amount doesn't remain on the bill. Ms. Thompson agreed that the bill will show that the amount has been paid because the partner community has paid us.

Eric DeLong indicated that there is more work to be done on this process so we can explain how it should and does work.

System Financing - Linda Wagenmaker indicated that some information on system financing was provided in the meeting materials. She reviewed the information and explained the process. Input is gathered from customer communities during the budget process each year. She noted that if communities have specific questions on specific projects, they should call her.

Brian Donovan asked if Wholesale customers would be included in system financing, and Ms. Wagenmaker indicated that they are not included.

Mike DeVries asked why Grand Rapids Township has a higher percentage in the zonedating scenario. Is it because a large portion of the project was in GR Township? Ms. Wagenmaker indicated that even though the facility wasn't in Grand Rapids Township, they contribute to the flow and are charged on a percentage basis. This amount would be included in the revenue requirement and is funded by the customers of the system. If it's paid for by the community or a developer, the amount will not be included in rates.

Mike DeVries noted how he explains to customers the base cost on their bill or a readiness to serve charge. Costs have increased substantially, and we need to understand this better so we know if we want to use System Financing or not. He asked if Ms. Wagenmaker can help them make the calculation and determine if they want to oversize development. Ms. Wagenmaker indicated that she could work with them on this and provide them information.

Ron Woods asked if Grand Rapids Township bills separate from the Grand Rapids Water and Sewer bills. Mr. DeVries indicated that they do not, he was referring to the base charge on the bill that comes from Grand Rapids.

Eric DeLong noted that retail communities have the option to balance their commodity charge and base charge in the rate study each year. Linda Wagenmaker will be providing them information on this next month so they can take a look at this as we put the rate study together.

8. **Quarterly Financial Reports:**

Scott Saindon distributed the reports and began by reviewing the information for Water. July was a big month for water sales and June was high as well. Water penalties are up when compared to last year because they were suspended for a time last year when we implemented Cayenta. The report shows about a \$2.2 - \$2.3 M increase in revenues. On

the expense side, computer services are not really down for the year, but it looks like it is because IT hasn't billed us yet. Expenses have declined overall.

He then reviewed the Sewer report. Sewer saw a slight increase in revenue but revenues are really holding fairly steady. He noted that under expenditures, again, the computer services haven't been billed yet so it just looks like they went down. All in all expenses are about even with last year or maybe slightly higher.

9. Statistical Data Report

Mr. Saindon distributed information and reviewed it briefly.

10. ACSET/Individual Circuit Breaker Report for 1st Quarter FY13

Mr. Saindon referred members to the information that was provided in the meeting materials. The reports were for 1st Quarter of FY13 (3rd Quarter 2012). This report will also serve as the annual report since funds ran out in May, and there will be no more activity for the remainder of the year. He noted that the number of households served is down for the year. He also briefly reviewed the history of the program since it began in 2007.

11. Contract Awards

Breese Stam reported that there are no new contract awards coming up. The footing drain award was completed in September. This program is available system wide when there is flooding occurring.

12. Updates

Sewer Ordinance: Mike Lunn reported that we recently completed a headworks study because we were getting close to our limits on BOD again. We found that we have room to permit large industrial users now. Changes will be made to the ordinance accordingly. He also noted that they plan to include roof drain system to the footing drain language and are proposing to add a fee to encourage a quicker disconnection. The State passed some rules about dentists needing to maintain mercury appropriately. However, they left the policing of that to the municipalities so there are ordinance changes will address this. Each year dentists will need to certify that they are handling and maintaining mercury appropriately. We will then be doing on-site inspections. We also feel there should be a fee for processing the IPP applications. He will have a draft to DEQ for their review soon. He will have it ready for UAB review in December.

Bill Cousins asked if we have higher limits now, if it is worth another look at the airport. Mr. Lunn indicated that the airport didn't submit any kind of application last year. Mr. Cousins indicated that he thought the City told them that we couldn't handle their BOD so they are looking elsewhere. Mr. Lunn indicated the issue at the airport was that we couldn't handle all of their stormwater. It was not a BOD issue.

CIS: Wayne Jernberg reported that modifications to collection screens are in testing now. Final acceptance is scheduled for October 31 if all goes well.

311 Call Center – Eric DeLong reported a brief update was provided at the last meeting. Pam Ritsema has researched this and a memo was distributed to members. Pam Ritsema noted that there are start-up costs identified totaling \$670,000. Water's portion of that is \$292,000. There is also a need for cash flow that will be funded by the departments and then paid back to them over time. She figures that this should save about \$500,000 per year and pay back would be in about the seventh month of operations. Collections and more involved questions will remain in the Water System which is only about 5% of the current calls being taken. Billings for 311 will be based on actual phone calls received and time spent.

Practical Guide to PA 222 invitation – Members were referred to the copy of the invitation provided in the meeting materials.

USA Today – “Nation's water costs rushing higher” – Eric DeLong indicated that he had asked Joellen Thompson to see where we stacked up in percentage increases. Ms. Thompson distributed a chart showing that Grand Rapids' increase percentage was about 32% over that time period so we are in the lower tier of all the communities researched.

13. **Items from Members:**

Mike Lunn reported that the final cost for the tank repairs will be approximately \$350,000.

Ron Woods reported that they have another developer looking at the same site that has been discussed previously.

14. **Next Meeting:**

The next meeting will be held on Thursday November 15, at 8:00 a.m., at Grand Rapids' Water Administration Building, 1900 Oak Industrial Drive SE.

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**Water/Sewer UAB Report
October 2012**

Project Name	Contractor	Award Date	Substantial Completion Date	Final Completion Date	Water Fund Authorized NTE Amt	Sewer Fund Authorized NTE Amt	Est. Year for Rates	Integrated (Y/N)
CIPP Lining of Sanitary Sewers at Various Locations - Contract 2012	Lanzo Lining Services Inc.	10/9/12	N /A	11/30/12	\$ -	\$ 844,000.00	2014	Non-Integrated GR